

OLYMPIA, WASHINGTON

December 6, 2006

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Dean Torkelson, Seattle-Northwest Securities
The Honorable Judi Morris, Jefferson County Treasurer
Darlene DeRose, Montague DeRose & Associates
Noah Crocker, Office of the State Treasurer
William Tonkin, Foster Pepper & Shefelman
Shelly McGuire, Office of the State Treasurer
Nancy Adams, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Tom Saelid, Office of Financial Management
Amy Arnis, Department of Transportation
Nancy Notter, Office of the State Treasurer
Andrew Scott, Attorney General's Office
Susan Penley, Office of the State Treasurer
Wendy Kancianich, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the October 31, 2006 State Finance Committee meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1043 provides for the issuance and sale of not to exceed \$367,705,000 State of Washington Various Purpose General Obligation Bonds, Series 2007C, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess; Chapter 147, Laws of 2003; Chapter 3, Laws of 2003, 1st Sp. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess.; Ch. 487, Laws of 2005; Chapter 167, Laws of 2006; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the Bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said Bonds.

Mr. Martin presented proposed Resolution 1043 to the committee.

Resolution 1043 authorizes the issuance and sale of not to exceed \$367,705,000 State of Washington Various Purpose General Obligation Bonds, Series 2007C, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess; Chapter 147, Laws of 2003; Chapter 3, Laws of 2003, 1st Sp. Sess.;

Chapter 18, Laws of 2003, 1st Sp. Sess.; Ch. 487, Laws of 2005; Chapter 167, Laws of 2006; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1043. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1044 provides for the issuance and sale of

- Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007D, of the state, in the principal amount of not to exceed \$402,350,000, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); Chapter 147, Laws of 2003 (RCW 47.10.861); Chapter 315, Laws of 2005 (RCW 47.10.873); and Chapter 39.42. RCW; and
- Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007E, of the state, in the principal amount of \$16,000,000, more or less, authorized by Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843) and Ch. 39.42 RCW;

for the purpose of providing funds to pay and reimburse state expenditures for construction and improvement of state and local highways, construction of selected transportation 2003 projects or improvements, and selected 2005 transportation partnership projects or improvements, fixing the date, form, terms, maturities, redemption provisions and covenants of the Bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said Bonds.

Mr. Martin pointed out that the \$16,000,000, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007E will be used solely for the Tacoma Narrows Bridge. He said that the Committee had planned on 11 sales of Motor Vehicle Fuel Tax General Obligation Bonds for the Tacoma Narrows Bridge and that this would be the ninth sale.

Mr. Martin presented proposed Resolution 1044 to the committee.

Resolution 1044 authorizes the issuance and sale of not to exceed \$402,230,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007D, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); Chapter 147, Laws of 2003 (RCW 47.10.861); Chapter 315, Laws of 2005 (RCW 47.10.873); and Ch. 39.42 RCW; and \$16,000,000, more or less, of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2007E, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1044. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1045 appoints a Fiscal Agent for the State and its political subdivisions: Chapter 43.80 RCW authorizes the State Finance Committee to appoint a fiscal agent(s). A year-long process culminated in a unanimous recommendation by staff and Local Government Working Group members for the appointment of The Bank of New York to

serve as State Fiscal Agency for an initial four-year term. Qualified banks and trust companies (“banking institutions”) were invited to bid on a full range of services and duties to be performed as fiscal agent for the State and its local governments.

The fiscal agent serves as the paying agent to bondholders on bonds issued by the State and its political subdivisions. At its December 14, 2005 meeting, the State Finance Committee was informed that the current statewide fiscal agency agreement would expire January 31, 2007. The Office of the State Treasurer (OST) prepared a Request for Proposal (RFP) for fiscal agency services. Input was solicited from local governments, bond counsel, financial advisors and others in the debt management community. OST also enlisted the help of a Local Government Working Group to participate in developing the RFP, evaluating the responses and preparing a recommendation to the Committee. The RFP was released and advertised in local and national municipal finance publications on May 3, 2006.

The Local Government Working Group included: The Honorable Judi Morris, Jefferson County Treasurer; Steven A. Marcotte, Finance Director, City of Tacoma; Craig J. Kerr, Treasury Manager, Port of Seattle; James D. Hendrickson, Financial Services Manager, City of Tumwater; and Bill James, Director of Finance, Port of Port Angeles. Assistant Attorney General Drew Scott and Darlene DeRose, Montague DeRose & Associates assisted the process.

Five firms submitted a Letter of Intent to submit a proposal, with two firms, The Bank of New York and US Bank, returning proposals. Staff and working group members met to discuss the proposals and clarify technical capabilities, service levels, and fees. Site visits were made to the business locations of both firms. The working group traveled to Seattle, St. Paul, and New York City, meeting with the principals of the banking institutions as well as those responsible for day-to-day operations.

The Bank of New York stands out in three categories:

- A commitment to, and investment in, technology that provides web-based delivery of maturity bills, debt service schedules, and cash activity statements.
- A superior business model that provides a Relationship Manager and assignment of specific proactive staff responsible for, and knowledgeable of, State of Washington governmental entities and their securities.
- The bank also receives high marks for its disaster recovery procedures and business continuity planning.

The Bank of New York met the requirements that payments made by check have to be received by bondholders on the payment date; that there be a commitment to establishing and maintaining an interactive website for all participating Obligors; and that bondholder and obligor services be provided during the business hours specified by the State.

The Bank of New York has served as State Fiscal Agent since December 23, 1992 and the proposed fees are slightly lower than the current fees on a proforma basis, relating to a reduction of fees for several low-volume services.

Chairman Murphy explained the caliber of this contract and expressed the importance of local government involvement in the process. He thanked Judi Morris, Jefferson County

Treasurer, who was in the audience today for her contribution to the process. He pointed out that Washington State has been well served by The Bank of New York, they were put to the task, they provided good numbers and they have provided good service commitment.

Mr. Martin presented proposed Resolution 1045 to the committee.

Resolution 1045 appointing fiscal agent banks to the State and its political subdivisions pursuant to RCW 43.80.

Lt. Governor Owen moved to adopt Resolution 1045. Treasurer Murphy seconded the motion and the resolution was adopted.

Allan Martin introduced Wendy Kancianich, State Treasurer's Office new Lease-Purchase Specialist. He then thanked everyone who worked on the Fiscal Agency recommendation process.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:13 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Christine O. Gregoire, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary